



## Feed the Future Country Fact Sheet

Online Version: <https://feedthefuture.gov/article/farmers-gain-financial-flexibility-warehouse-receipts-malawi>

## Farmers Gain Financial Flexibility from Warehouse Receipts in Malawi



Fintrac Inc.

Rab Processors' new rural commodity marketing and storage facilities for smallholders help farmers get better prices for their harvests and access to finance.

Last October, smallholder farmer Luke Khuluza stored 3 metric tons of maize in a warehouse in Dezda, Malawi. He could have sold the grain then, but he didn't. It was harvest time: The supply of maize in the market was at its peak, so the price offered by buyers was low. Instead, he took a receipt for the maize, which was issued by the warehouse and waited a few months for the grain's price to go up. Only then did he sell it, gaining a profit of \$252. "Had it been earlier," he said, "I would have made a loss."

Not long ago, Khuluza and many other smallholder farmers in Malawi didn't have the option of waiting to sell their grain. That's because the system which now enables them to do so (a warehouse receipts program) was not available to them.

In a warehouse receipt system, a farmer deposits his harvested maize or other commodity in a registered warehouse, which issues a receipt with the amount and quality of the stored product. The receipt is an asset that the farmer can use as collateral or keep and wait on grain prices to potentially increase. When the farmer decides to sell, he or she receives the current market price for stored grain, with a fee subtracted for storage costs. Typically, prices increase the further away from harvest that sales are made. By giving farmers greater flexibility in selecting the time of their sales, it enables them to sell when they can make a better profit.

Farmers can also use the receipts as collateral—which is one of the primary barriers smallholders face in obtaining credit. Currently, First Merchant Bank Malawi accepts these receipts, with others opting to see how the program works before committing to also participate. Farmers are hopeful that by improving their ability to get credit, they can boost their cash flows and ability to invest.

Malawi has been at the forefront in sub-Saharan Africa in introducing a warehouse receipts system due to strong private

trader commitment and the establishment of an independent commodity exchange, the [Agricultural Commodity Exchange for Africa](#) (ACE), which serves as an intermediary and broker for these transactions.

With support from Feed the Future Partnering for Innovation and funding from USAID, Rab Processors, a Malawi-based commodities trader, is expanding its reach to smallholder farmers by building three new agricultural-commodity marketing and warehouse facilities for smallholders in rural areas that previously lacked bulk storage options.

As a result of this Feed the Future partnership, Rab Processors will purchase an additional 10,000 metric tons of corn, soy and peanuts from 9,000 smallholder farmers like Khuluza, demonstrating that private companies can implement successful warehouse receipt systems that boost farmer incomes and increase farmers' access to credit.